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RUEHSG/AMEMBASSY SANTIAGO 2059  
RUEHFR/AMEMBASSY PARIS 0283  
RUEHRI/AMCONSUL RIO DE JANEIRO 8110  
RUEHRG/AMCONSUL RECIFE 3603  
RHEHNSC/NSC WASHDC  
RHMFISS/CDR USSOUTHCOM MIAMI FL  
RUEATRS/DEPT OF TREASURY WASHDC  
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UNCLAS SECTION 01 OF 03 SAO PAULO 000485

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USDOC FOR 4332/ITA/MAC/WH/OLAC  
USDOC ALSO FOR 3134/USFCS/OIO  
DOL FOR ILAB  
SOUTHCOM ALSO FOR POLAD  
USAID FOR LAC/AA  
PARIS FOR ECON - TOM WHITE

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TAGS: [PGOV](#) [PINR](#) [PHUM](#) [ELAB](#) [ECON](#) [BR](#)

SUBJECT: WHITHER THE LULA ADMINISTRATION - A PT EX-DEPUTY'S  
PERSPECTIVE

REF: (A) SAO PAULO 367; (B) BRASILIA 555;  
(C) SAO PAULO 129; (D) BRASILIA 149;  
(E) 06 SAO PAULO 449

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY.

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SUMMARY  
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¶1. (SBU) Workers Party (PT) stalwart and former Federal Deputy Luiz Eduardo Greenhalgh sees President Lula as working for the first time in his career without a real power behind the throne, either in the government or in his party. This situation has turned Lula into a political operator who makes his own deals. Greenhalgh cited Lula's distancing himself from his own party and political base (as illustrated by recent Cabinet decisions which short-changed the PT) as evidence that he is not, contrary to rumor, trying to position himself to make a presidential comeback in 2014. While Lula's coalition-building efforts have been impressive, they have not been matched on the policy side. The only major policy initiative to emerge in the first five months of Lula's second term is the Growth Acceleration Plan (PAC), which remains stalled and is viewed by some observers as at best a bundle of good intentions. End Summary.

¶2. (U) Luiz Eduardo Greenhalgh served as a Federal Deputy from Sao Paulo from 1997 through 2006, when he failed to win re-election. One of many founders, along with President Lula, in 1980 of the Workers Party (Partido dos Trabalhadores - PT), he has served as a PT Vice-President and Secretary of International Relations, as well as Vice-Mayor of Sao Paulo (1989-92). In February 2005, he was the party's candidate for President of the Chamber of Deputies, but lost when a rival within the party decided to seek the job, effectively

splitting the pro-government vote. During his years in Congress, Greenhalgh was strongly identified with the Landless Movement (MST) and with promotion of human rights. In a recent conversation with Poloffs, Greenhalgh shared his irreverent views on the current state of play in the PT and in the Lula administration. His opinion on relations between Lula's government and the MST are reported ref A.

¶3. (SBU) Greenhalgh attributed his own failure to be re-elected last October to three factors: Loss of support from social security beneficiaries due to his support for social security reform; loss of support from MST militants as he distanced himself from the landless movement; and the public's general weariness with the PT as a result of the political corruption scandals (though he acknowledged that this disillusion did not prevent several PT Deputies who were actually implicated in the scandals from being re-elected). He has returned to his private law practice and remains active on the human rights front. He told us he had been offered the position of National Secretary of Human Rights, but did not accept because Paulo Vanucchi was not ready to relinquish his office for another six months, and Greenhalgh did not want to wait.

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LULA AS CONDUCTOR  
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¶4. (SBU) Historically, Greenhalgh said, President Lula was never a political organizer or operator. Rather, he was the "star" or "talent" of the PT, surrounded by able handlers and managers who would bring him out to make speeches and inspire the faithful. There was always somebody in the shadows pulling the strings, whether Jose Genoio (erstwhile PT president), Jose Dirceu (Chief of Civil Household until June 2005), or Antonio Palocci (Finance

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Minister until March 2006). Others took care of fund-raising, organizing, and expanding the party's reach and influence.

¶5. (SBU) However, late last September, in the last days of the first round of the election, Lula was suddenly deprived of his campaign manager when Ricardo Berzoini removed himself after being implicated in the "dossier" scandal, in which PT insiders and employees of Lula's campaign and that of Sao Paulo gubernatorial hopeful Aloizio Mercadante were accused of perpetrating a media smear campaign against opposition gubernatorial candidate Jose Serra. Officially, Marco Aurelio Garcia, Lula's foreign affairs advisor, took over as acting campaign manager and acting PT President, but in fact, according to Greenhalgh, Lula was essentially running his own campaign for the four weeks of the second round. This experience (and especially his victory) convinced Lula that he was capable of "directing the orchestra and at the same time singing the lead role in the opera." Though Berzoini has returned to the head of the PT, he is viewed as a weak, acquiescent leader, and Lula is increasingly making his own political deals and accommodations, and deciding strategies and tactics as well as policy, Greenhalgh said. Lula's current Chief of Civil Household, Dilma Rousseff, is viewed as more of a technician than a political manager.

¶6. (SBU) It was Lula himself, Greenhalgh said, who united the hopelessly divided Brazilian Democratic Movement Party (PMDB), the largest single party, behind his government. He also brought other parties like the Democratic Labor Party (PDT) into his coalition. It was he who negotiated the recent Cabinet changes (ref B) to ensure that each party (and each faction of some parties) was satisfied. In so doing, Lula is increasingly distancing himself from the PT. His actions, Greenhalgh argued, indicate that he is clearly thinking about supporting a non-PT candidate for President in 2010. Elements in the party brought considerable pressure to bear on him to name former Sao Paulo Mayor Marta Suplicy (frequently mentioned as a possible successor) Minister of Cities or Minister of Education, but he wouldn't do it. Only her persistence and tenacity led him in the end to give her the less attractive Tourism portfolio, and the manner in which he conducted her swearing-in ceremony made clear his lack of enthusiasm.

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PT BLUES

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17. (SBU) The PT, Greenhalgh said, simply has few viable candidates - he and a staffer ticked off various names that came to mind, nixing each one - and apparently none that Lula really likes or fully trusts, so he will look elsewhere for somebody who will protect his legacy and let him retain influence.  Ciro Gomes of the Brazilian Socialist Party (PSB), who Lula once said was the only person qualified to take over from him, is a perennial possibility, Greenhalgh said, or perhaps the PMDB can find a candidate to unite around.

18. (SBU) Greenhalgh dismissed speculation that Lula's reluctance to anoint a PT successor might signal his intention run to again in 2014.  According to this commonly held view, Lula, who is precluded by constitutionally-mandated term limits from running again in 2010, would like to see a weak candidate without a strong political base elected as his successor so that he can return to the field in 2014 (when he will again be eligible) with a good chance of winning.  Asked why he thought this scenario was unrealistic, Greenhalgh pointed to the recent change at the Ministry of Labor, in which Minister Luiz Marinho, a former president of the powerful Unified

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Workers' Center (CUT - the nation's largest labor confederation), was transferred to the Social Security Ministry and replaced by Carlos Lupi, President of the Democratic Labor Party (PDT).  This surprise, last-minute move so angered Marinho that he considered quitting altogether.  Paulo Pereira da Silva (no relation to Lula), head of the Forca Sindical, the CUT's main rival, is a recently elected PDT Federal Deputy.  In essence, Greenhalgh said, Lula is turning the Labor Ministry over to the Forca Sindical to the serious detriment of his historical allies in the CUT.  The CUT was founded in 1984 by many of the same people who founded the PT.  It has served as a sister organization to the PT, and several of its leaders serve on the PT's National Directorate.  Lula would never alienate his base in this way if he had any plans for a political future, Greenhalgh argued.

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COMMENT  
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19. (SBU) Greenhalgh's insights into President Lula's plans and strategies ring true in many respects, but at times he gives Lula more credit than he deserves.  While Lula's coalition-building efforts - "conducting the orchestra" - have been impressive, they have not been matched on the policy side ("singing the lead role").  The only major policy initiative to emerge in the first five months of the second term is the Growth Acceleration Plan (PAC - ref D), which many observers consider at best a bundle of good intentions that is unlikely to stimulate much economic growth.  His administration is working hard to maximize and retain Brazil's advantage in the area of ethanol, but beyond that it is difficult to see much action on any front, especially pursuit of the structural political and economic reforms most Brazilians consider essential for their country's future.  End Comment.

110. (U) This cable was coordinated with Embassy Brasilia.

MCMULLEN